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Special Newsletter
May 1975

MONTANA
EMPLOYMENT SECURITY DIVISION
of the
DEPARTMENT OF LABOR AND INDUSTRY

Fred Barrett, Administrator

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Special Newsletter Legislative Report-UI Legislation 1975
May 5, 1975

The following House Bills passed the recent legislative session and have been signed into law by the Governor:

HOUSE BILL 95 introduced by Magone and others extends unemployment insurance coverage to all employees of counties, cities, school districts, and all other political subdivisions. (State employees are already covered by Montana Unemployment Compensation Law). Effective July 1, 1975, some 48,309 local governmental employees will be covered by this new law. Funding for benefits paid out to these employees will be accomplished by a .4 percent tax on total wages levied for future fiscal years. Extension of coverage to this significant section of our work force follows a national trend, which recognizes the need to treat government employees on equal terms with those of private businesses which have long been under unemployment insurance coverage. The only significant segment of Montana workers remaining outside this coverage now is in agriculture and domestic employment.

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HOUSE BILL 109 introduced by McKittrick and 54 other representatives responded to a requirement in recent federal legislation that each state amend its trigger mechanism to allow extended benefits to be paid, under provisions of a law passed by Congress in late 1974. This Bill passed early in the session and was signed by the Governor immediately to enable many Montana workers who had exhausted their regular unemployment benefits to draw up to another 26 weeks of further benefits. By this amendment, the extended benefit payments for a month were 100 percent federally financed. After that,

the national trigger took effect and payments reverted to 50 percent state funded and 50 percent federally funded.

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HOUSE BILL 147 introduced by Baeth and others affects a part of Montana law which has been held in other states to be discriminatory in nature. Previous to House Bill 147, the only way a person who had once received benefits based upon a claim which later proved to be fraudulent, could ever clear his account and be eligible for subsequent benefit payments, was for him to pay back completely the total amount of money previously received. This Bill amends the law to allow the Division to offset these fraudulently based claims against future legitimate claims, thus allowing the claimant to pay the debt through deductions from subsequent claims.

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HOUSE BILL 173 introduced by Federico finally places all of the Unemployment Compensation Law in conformity with the Executive Reorganization Act of 1971. The main change brought about by this legislation is to recognize that the Employment Security Commission no longer exists, and thus wherever the word commission appears in the law it is now changed to division meaning Employment Security Division. Other minor house keeping changes in the same context are included.

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HOUSE BILL 175 introduced by Magone provides for the withholding of the final payment by contractors to subcontractors until these subcontractors have paid all taxes due to the Employment Security Division.

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HOUSE BILL 260 introduced by Kelly increases the coverage under the surety bond required by Section 41-2003 R.C.M. 1947, the restaurant, bar and tavern wage protective act, to include the payment of payroll taxes to the Employment Security Division.

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HOUSE BILL 332 introduced by Johnson raises the maximum weekly benefit amount effective July 1, 1975, from 50 percent to 55 percent of the average weekly wage;

and on July 1, 1976, increases the maximum weekly benefit to 60 percent of the average weekly wage. The firm figures will be determined in late May, but current projections are that the maximum benefit payment from July 1975 to July 1976, will be about $80; and in all probability from July 1, 1976, to July 1, 1977, the maximum weekly benefit will be near $90.

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HOUSE BILL 461 introduced by Kimble makes major changes in determining the tax rates for employers and changes the taxable wage base. The present statute is amended to eliminate the chargeback factor as one item used in determining experience rating, and substitutes the average quarterly payroll decline for the last three years as the third factor in figuring experience rating. (The other two factors are not changed i.e. age of the covered account and annual payroll decline). Under House Bill 461 employers are grouped in classes I through XIV according to their experience factor. When the experience factor of an employer is determined he is given a class group number. Then, depending upon the annually computed ratio of Unemployment Insurance Trust Fund reserves divided by total taxable wages, the average rate of taxation for the following year is determined. An employer's class grouping will dictate his individual tax for that year. This tax rate will vary year to year, depending upon the balance of the Unemployment Insurance Trust Fund during the previous 12 months.

The taxable wage base will also fluctuate between $4,200 and $4,800. For the second calendar quarter of 1975, and thereafter the taxable wage base shall be established for each year based upon the reserve percent of total wages or the amount of taxable wages specified in the Federal Unemployment Tax Act, whichever is higher. For the balance of calendar year 1975 this figure will be $4,800. Since this Act was effective April 1, employers payroll taxes will be increased as of that date.

The long range purpose of this legislation is to accomplish the stabilization of the Trust Fund without unduly penalizing employers through too high or excessive a payroll tax. Excessive unemployment and abnormally high unemployment benefits

paid out in the first months of 1975 have reduced the Unemployment Insurance Trust Fund from a January balance of around $19 million to an April balance of slightly under $12 million. Employer payroll taxes are bound to remain higher than normal as long as the high unemployment and current economic conditions last. It is the hope of the Employment Security Division that Montana's economic conditions will improve so that the mechanics of House Bill 461 may take effect and prevent the Trust Fund from becoming depleted or arriving at a dangerously low financial condition.

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HOUSE BILL 598 introduced by Travis amends the law to remove the disqualification presently applying to retired federal personnel, which now prevents such an individual from using wages earned in federal employment in determining wage credits for weekly benefit amounts. From July 1, 1975, such wage credits may be counted. This Bill also increases the amount allowable for a retired person to be receiving in retirement income before being disqualified from unemployment insurance benefits. After July a retired person will be able to have a retirement income of up to two times the average Montana weekly unemployment benefit amount prorated on a weekly basis, and still not be disqualified from receiving unemployment benefits if otherwise eligible.

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HOUSE BILL 264 introduced by Bardanouve included the Employment Security Division appropriation.

Other legislation affecting unemployment insurance included House Bill 330 and 331 introduced by Johnson, affecting taxable wage base and the average payroll tax. These bills were allowed to die since House Bill 461 covered the same subject matter. Senate Bill 324 introduced by Towe, contained the same elements as House Bill 95, accomplishing the same purpose, i.e. coverage of all local governmental employees. With the passage of House Bill 95, the Senate Bill became unnecessary.